TO: Nancy Parmet/Shelly Town-Rafferty   DATE: March 2, 1993

FROM: Kathy McMahon VMC

SUBJECT: Parliament 2/7 FSI & 2/1 Direct Mail - Coupon redemption

We have reviewed the issues regarding the error in UPC values on the coupons for both of these programs. PSC does not have the capacity to hand sort coupons. In addition, coupons are not differentiated on the retailer invoices for scanning versus manually data entered.

For the recent Parliament FSI a 1.5% redemption rate on the 19.5 million coupons in circulation has been estimated. If 292,530 coupons are redeemed the financial impact is as follows:

292,530 x $2.00 = $585,060.00
292,530 x $2.50 = $731,325.00
Difference $146,265.00

According to PSC, approximately 3.8% of retailers scan coupons. Although this percentage is low, the companies that scan are the large chain stores. So this small percentage of retailers can move a large volume of coupons. We therefore must pay the scanned value of $2.50 per coupon. Impact on your budget should not exceed $146,265.00.

Retailers who send in the Direct Mail coupons for redemption will be sent a $2.00 refund instead of a $3.00 refund. Again, there is no way for PSC to differentiate between those scanning retailers and those stores that enter the discount manually. When those retailers (estimated at 1,500 in total) question their reimbursements, we will have to honor the face value of the coupon.

We've attached a letter from one of our retailers outlining the problems they face when handling a miscoded coupon. In addition to sending them the balance owed on this coupon we are being charged a $1,000.00 administrative fee.

Enclosed are new UPC request forms. Please provide the appropriate information for the coupons currently in circulation.

In the future, please do not change the value of a coupon without getting a new UPC code.

Please call me with your questions.

CC: S. LeVan
      E. Marini
      R. Tomei